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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Concerning Energy Efficiency Rolling Portfolios, Policies, Programs, Evaluation, and Related Issues.	Rulemaking 13-11-005 (Filed November 14, 2013)

REPLY COMMENTS OF THE UTILITY REFORM NETWORK ON THE PROPOSED DECISION OF ALJ FITCH PROVIDING GUIDANCE FOR INITIAL ENERGY EFFICIENCY ROLLING PORTFOLIO BUSINESS PLAN FILINGS

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I. INTRODUCTION

On July 19, 2016, the Commission issued the Proposed Decision of Administrative Law Judge Fitch entitled *Decision Providing Guidance for Initial Energy Efficiency Rolling Portfolio Business Plan Filings* (PD). The PD addresses four issue areas scoped as part of Phase IIB and IIIA in this proceeding, including: (1) next steps for the Regional Energy Network pilots; (2) changes to policies governing the baselines against which energy savings will be measured, pursuant to Assembly Bill 802; (3) changes to statewide and third party programs; and (4) changes to the program evaluation and utility Program Administrator shareholder incentive frameworks. Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, The Utility Reform Network (TURN) hereby submits these reply comments on the PD.

TURN responds to the opening comments of various parties expressing concern that the PD's removal of Codes and Standards (C&S) savings from the Energy Efficiency Goals might cause an erosion in the utilities' commitment to Codes and Standards advocacy. As explained below, TURN recommends that the Commission modify the PD to avoid this unintended consequence by preventing a reduction in spending on C&S advocacy, continuing to track and report program performance, and continuing to refine existing methods for quantifying C&S savings in light of new baseline policies.

II. REPLY COMMENTS ON PROPOSED DECISION OF ALJ FITCH

A number of parties take issue with the PD's conclusion that the Commission should avoid the risk of double-counting – that is, counting the same savings as flowing from Codes and

Standards (C&S) advocacy and achieved through programs using an existing conditions baseline -- by no longer setting separate goals for C&S advocacy and crediting the utilities with energy savings towards those separate C&S goals.[1] For instance, Energy Solutions fears that the PD's approach "could inadvertently send a signal to do less C&S advocacy."[2] The Appliance Standards Awareness Project (ASAP) similarly projects:

> Removing the goals would inevitably lead to less attention paid to codes and standards and a diminution of the effectiveness of the IOU's codes and standards efforts. Management attention would be turned to those areas which have goals (especially when those goals are in danger of not being met) and staff working on codes and standards would find themselves far more likely to be an afterthought in the utilities' efficiency strategy, rather than a central element.[3]

The Natural Resources Defense Council (NRDC) shares their fear of "insufficient motivation" by the utilities to continue their current role "in researching, promoting, and moving markets towards increased codes and standards adoption" without a change to the PD.[4]

These parties warn of the serious consequences of reduced C&S advocacy, should their fears come true. According to Energy Solutions, "Even modest reductions in the efficacy of the C&S program caused from this destabilization would create significant EE Portfolio savings reductions that voluntary programs must address at many times the cost of C&S impacts."[5] Similarly, ASAP worries about undermining "California's longstanding leadership on energy efficiency codes and standards" at the State and National levels, and the benefits to ratepayers

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[1] *See* PD, p. 28.

[2] Energy Solutions, p. 8. *See also* McHugh Energy, p. 10 ("this CPUC proposal could inadvertently provide direction to do less C&S advocacy").

[3] ASAP, p. 6.

[4] NRDC, pp. 3-4.

[5] Energy Solutions, p. 8. *See also* McHugh Energy, p. 8 ("I am concerned that by de-emphasizing the C&S program, the CPUC will limit its ability to structure the energy efficiency portfolio for maximum cost-effective energy savings.").

from this very cost-effective source of energy efficiency savings.[6] They emphasize that C&S advocacy is "critical for meeting statewide goals, including doubling efficiency by 2030 (SB 350), reducing 2030 GHGs to 40% below 1990 levels, and achieving ZNE [Zero Net Energy] buildings."[7]

TURN shares the interest of these parties in avoiding the potential unintended consequence of de-emphasizing C&S advocacy. Indeed, realized C&S savings are highly cost-effective and critical to achieving the state's EE goals. For this reason, we urge the Commission to modify the PD to emphasize the importance of C&S advocacy, even without C&S-specific energy savings goals.

Currently, the PD indicates that the Commission "will continue to fund the codes and standards advocacy work of the utilities, and credit them under the ESPI framework for this work."[8] The PD additionally addresses concerns about undercounting C&S savings by specifying a general approach to improving the quantification of C&S savings.[9] TURN recommends that the Commission expand this discussion of C&S advocacy as follows.

First, the Commission should counteract any risk of reduced utility motivation for C&S advocacy by expressly indicating its expectation that C&S will remain an important and cost-effective strategy for achieving EE savings, playing a critical role in achieving the SB 350 goals, despite the change in EE goal-setting policy. But beyond this statement of policy, the Commission should indicate its expectation that the utilities will, at a minimum, maintain their budgets for C&S advocacy at current levels, subject to the requirements set forth in D.14-10-

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[6] ASAP, p. 4.

[7] Energy Solutions, p. 10. *See also,* NRDC, pp. 3-4; McHugh Energy, p. 9.

[8] PD, p. 28.

[9] PD, p. 29.

046.[10] In that decision, the Commission required the Program Administrators to track and report on fund-shifting in their annual budget filings required as part of the newly adopted rolling portfolio cycle. The Commission clarified,

> If Commission Staff or stakeholders identify fund-shifting activities that substantially depart from Commission policy direction or, in the opinion of Commission Staff or stakeholders, are not in the best interest of ratepayers and/or the efficiency portfolios …, they should raise their concerns in response to the next budget advice letter.[11]

A clear statement of Commission policy that C&S advocacy shall not decline as a result of the change in EE goal-setting is important to guide the evaluation of any significant downward budget proposals from the utilities due to fund-shifting, as well as the forthcoming Business Plans.

Second, the Commission should clarify that C&S advocacy savings will continue to be counted, attributed, and reported. TURN assumes this to have been the PD's intent, but the silence on this point has generated quite a bit of concern.[12] More specifically, we recommend that the Commission clarify that: (1) Energy Division will continue to quantify and attribute C&S advocacy impacts through C&S impact evaluations, and (2) C&S advocacy will continue to be included as part of reporting on portfolio cost-effectiveness in annual reports, wherein cost-effectiveness is reported for programmatic efforts alone and also with C&S.

Finally, the Commission should expand the discussion of future improvements to the quantification of C&S savings by directing Energy Division to study unrealized – commonly referred to as "stranded" – C&S savings in existing buildings and make adjustments to assumed

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[10] In D.14-10-046, the Commission adopted 2015 annual budgets for the C&S Program (as well as other programs). D.14-10-046, Figure 7. PG&E's final 2015 C&S budget (and current 2016 C&S budget) is larger than the amount set by D.14-10-046 due to fund-shifting.

[11] D.14-10-046, pp. 91-92.

[12] *See, e.g.,* McHugh Energy, p. 4; Energy Solutions, pp. 10, 12.

turnover rates in order to ensure proper savings accounting and address and double-counting concerns arising in the context of the new default existing conditions baseline policy. All stakeholders share an interest in improving the accuracy with which savings from C&S advocacy are tracked and attributed. These efforts, combined with those identified in the PD (p. 29) should alleviate the concerns of parties that some C&S savings, particularly those from "non-participant" existing buildings, might go unaccounted for by the Commission or CEC in its demand forecast.[13]

III. CONCLUSION

For the foregoing reasons, TURN recommends that the Commission adopt the Proposed Decision of ALJ Fitch with the modifications presented herein, as well as in TURN's opening comments.

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Respectfully submitted,

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[13] *See, e.g.,* Southern California Edison Company, p. 11.